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March 11, 2011

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **LOS ANGELES COUNTY OFFICE OF EDUCATION CONTRACT
REVIEW – A DEPARTMENT OF PUBLIC SOCIAL SERVICES GENERAL
RELIEF OPPORTUNITIES FOR WORK PROGRAM PROVIDER**

We have completed a program, fiscal and administrative contract review of Los Angeles County Office of Education (LACOE or Agency), a Department of Public Social Services (DPSS) General Relief Opportunities for Work (GROW) Program provider. GROW Program services include Orientation, Rapid Employment and Promotion activity, and Job Skills Preparation Classes (JSPC). The purpose of our review was to determine whether LACOE appropriately accounted for and spent GROW Program funds in accordance with the County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with the contract and applicable guidelines. We completed our review in October 2009 and conducted a follow-up review in August 2010 to determine the status of our prior findings.

DPSS compensates LACOE at a fixed monthly fee for each type of service and requires the Agency to return any unspent revenues. DPSS paid the Agency \$2.5 million for Fiscal Year (FY) 2008-09. LACOE provided services to residents of the First, Second, and Fourth Districts during FY 2008-09.

Results of Review

The program participants met the eligibility requirements for the GROW Program and LACOE met the contract's performance outcome measures. In addition, the Agency's Cost Allocation Plan was prepared in compliance with the County contract and used to

appropriately allocate shared program costs. However, LACOE did not always comply with the other contract requirements. For example, LACOE:

- Inappropriately excused GROW participants from a mandatory class session during the first week of JSPC training and did not ensure participants attended job fairs when excused from the training for that purpose.
- Did not ensure their crime insurance policy complies with the contract requirements and could not locate equipment purchased with GROW funds totaling \$3,607.
- Did not maintain copies of current drivers' licenses for five (83%) of the six employees reviewed as required and could not provide background clearances for six (75%) of the eight employees reviewed. LACOE indicated that the employees passed a background check but they did not maintain records.

LACOE's attached response indicates they will adhere to the contract requirements. During our follow-up review, LACOE implemented measures to correct the areas of non-compliance noted in our initial review. However, the Agency still did not have background clearances for the six employees reviewed. LACOE's attached response indicates they recently obtained new background clearances for the employees.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with LACOE and DPSS on September 23, 2010. In their attached response, LACOE management agreed with our findings and recommendations. DPSS indicated that they will work with LACOE to ensure that the recommendations are implemented.

We thank LACOE management and staff for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:AA

Attachment

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Director, DPSS
Jon Gundry, Acting Superintendent, LACOE
Steve Yamarone, GAIN Division Director, LACOE
Public Information Office
Audit Committee

**GENERAL RELIEF OPPORTUNITIES FOR WORK
LOS ANGELES COUNTY OFFICE OF EDUCATION
FISCAL YEAR 2008-09**

BACKGROUND/PURPOSE

The Department of Public Social Services (DPSS) contracts with the Los Angeles County Office of Education (LACOE or Agency), a government agency, to provide employment and training services to help employable General Relief program recipients obtain jobs and achieve self-sufficiency. Contract services include Orientation, Rapid Employment and Promotion (REP) activity, and Job Skills Preparation Classes (JSPC).

The purpose of our review was to determine whether LACOE appropriately accounted for and spent General Relief Opportunities for Work (GROW) Program funds in accordance with the County contract. We also evaluated the adequacy of LACOE's accounting records, internal controls and compliance with the contract and applicable guidelines. In addition, we interviewed a number of Agency staff and clients. We completed our review in October 2009 and conducted a follow-up review in August 2010.

ELIGIBILITY

Objective

Determine whether LACOE provided Orientation, REP, and JSPC services to individuals that met the eligibility requirements of the GROW Program.

Verification

We visited two of the four LACOE service sites and reviewed documentation for 30 (1%) of the 4,739 program participants that received services during March and April 2009.

Results

All 30 program participants met the eligibility requirements for GROW Program services.

Recommendation

None.

PROGRAM SERVICES

Objective

Determine whether LACOE provided the services in accordance with the County contract and GROW guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed documentation for 30 program participants that received services during March and April 2009. We also interviewed eight participants.

Results

The program participants interviewed stated that the services they received from LACOE met their expectations. However, the Agency did not always comply with the program requirements. Specifically, LACOE:

- Inappropriately excused participants from a mandatory class session during the first week of JSPC training for a job fair. The contract only allows the Agency to excuse participants for a job fair after the first week of training to ensure participants are adequately prepared to seek employment.
- Did not ensure participants attended jobs fairs when they were excused from required training sessions for that purpose.
- Did not maintain the master application form, which contains important information about the participants job history, for three (30%) of the 10 JSPC participants reviewed as required.

During our follow-up review, we noted LACOE had issued a memo reminding staff to ensure they only excuse participants to attend job fairs after the first week of JSPC training. The Agency also developed procedures for verifying job fair attendance and retrained staff to maintain master application forms.

Recommendations

LACOE management:

1. Ensure GROW participants are only excused for appropriate reasons during the first week of JSPC training.
2. Develop procedures to ensure participants attend job fairs when excused for that purpose.

3. Ensure GROW participants' files contain the master application form.**STAFFING QUALIFICATIONS****Objective**

Determine whether LACOE staff possessed the qualifications required by the contract.

Verification

We reviewed personnel files for eight of the 30 LACOE staff assigned to the GROW Program.

Results

LACOE's staff possessed the qualifications required by the County contract.

Recommendation

None.

PERFORMANCE OUTCOMES**Objective**

Determine whether LACOE met the planned performance outcomes as outlined in the County contract and reported the performance outcomes to DPSS. The performance outcomes included maintaining attendance records, session schedules and curriculums for GROW Program services. The performance outcomes also included maintaining an acceptable full-time job placement rate of at least 8% of the actual number of participants who started REP or JSPC sessions.

Verification

We reviewed the Agency's Monthly Management Report that lists the participants and the services received. We also reviewed attendance records and employment verification forms.

Results

LACOE met the performance outcome measures outlined in the County contract.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue were properly recorded in LACOE's financial records and deposited timely in their bank account. In addition, determine whether the Agency maintained adequate controls over cash.

Verification

We interviewed LACOE personnel and reviewed financial records including the May 2009 bank reconciliations for the Agency's three bank accounts.

Results

LACOE properly recorded revenue. However, the Agency did not comply with required bank reconciliation procedures. Specifically, at the time of our review, LACOE had not reconciled their bank account(s) for eight months. In addition, one (33%) of the three bank reconciliations reviewed was not signed by the preparer.

During our follow-up review, we verified that LACOE reconciled their bank accounts timely for June 2010 and that the reconciliations were signed by the preparer.

Recommendations

LACOE management:

- 4. Perform monthly bank reconciliations.**
- 5. Ensure bank reconciliations are signed and dated by the preparer.**

UNSPENT REVENUE**Objective**

Determine whether LACOE reconciled their Fiscal Year (FY) 2008-09 payments to their costs as required by the contract.

Verification

We traced LACOE's FY 2008-09 payments to the Agency's accounting records.

Results

The contract requires the Agency to reconcile their expenditures and revenue quarterly to ensure they do not have any unspent revenue. We verified that LACOE's expenditures and revenue for FY 2008-09 both totaled \$2.5 million.

Recommendation

None.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program expenditures were allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed LACOE personnel and reviewed financial records and other documentation for nine non-payroll expenditures totaling \$20,719 that the Agency billed from July 2008 through May 2009.

Results

LACOE's expenditures were allowable, properly documented and accurately billed.

Recommendation

None.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether LACOE maintained sufficient internal controls over its business operations and if the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed LACOE personnel, reviewed their policies and procedures manuals, and conducted on-site visits.

Results

LACOE maintained sufficient internal controls over its business operations. However, the Agency's crime insurance policy did not specifically identify the GROW contract and did not include a condition requiring the County to be given a 30 day notice of cancellation as required by the contract.

During our follow-up review, we verified that LACOE updated their crime insurance policy in compliance with the contract.

Recommendation

6. LACOE management ensure their crime insurance policy complies with the County contract requirements.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether LACOE's fixed assets and equipment purchased with GROW funds were used for the GROW Program and were safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we reviewed 28 of the 71 items purchased with GROW funds.

Results

LACOE used the equipment purchased with GROW funds for the GROW Program. However, five (18%) of the 28 items reviewed, totaling \$3,607, were missing.

During our follow-up review, LACOE located the missing items.

Recommendation

7. LACOE management ensure fixed assets and equipment are adequately monitored.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the GROW Program. In addition, determine whether LACOE obtained background clearances and verified employment eligibility for GROW Program employees.

Verification

We traced the payroll expenditures for eight employees totaling \$33,842 for April 2009 to LACOE's payroll records and time reports. We also interviewed staff and reviewed eight personnel files for GROW Program staff.

Results

LACOE appropriately charged payroll expenditures to the GROW Program. However, LACOE could not provide background clearances for six (75%) of the eight employees reviewed. LACOE indicated that the employees passed a background check many years ago and that they did not maintain the records. In addition, the Agency did not maintain copies of the current drivers' licenses for five (83%) of the six employees reviewed that drove while performing contract duties.

During our follow-up review, we verified that LACOE obtained copies of current drivers' licenses for their employees. However, the Agency still did not have documentation of background clearances for the six employees reviewed. Subsequent to our review, LACOE indicated that they completed new background clearances for the employees.

Recommendations**LACOE management:**

8. Obtain and maintain background clearances for employees working on the GROW Program.
9. Maintain copies of current drivers' licenses for all GROW Program employees that drive while performing contract duties.

COST ALLOCATION PLAN**Objective**

Determine whether LACOE's Cost Allocation Plan was prepared in compliance with the County contract and used to appropriately allocate shared program costs.

Verification

We reviewed the Cost Allocation Plan and a sample of expenditures LACOE incurred during April 2009.

Results

LACOE's Cost Allocation Plan was prepared in compliance with the County contract and the costs were appropriately allocated.

Recommendation

None.



Los Angeles County Office of Education

Leading Educators • Supporting Students • Serving Communities

Jon R. Gundry
Interim Superintendent

October 26, 2010

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Ms. Wendy L. Watanabe
Auditor-Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 S. Figueroa Street, 8th Floor
Los Angeles, CA 90071

Dear Ms. Watanabe:

Los Angeles County Office of Education Contract Review – A Department of Public Social Services General Relief Opportunities for Work Program Provider Response to Program, Fiscal and Administrative Contract Review.

In response to Program, Fiscal, and Administrative Contract Review findings for the LACOE GROW program, we have reviewed our procedures, made changes where applicable, and implemented all recommendations as reflected below.

1. Program Services:

Recommendation: Ensure GROW participants were excused during the first week of Job Skills Preparation Classes training for appropriate reasons. Subsequent to our review, LACOE issued a memo to remind their staff of the requirement.

LACOE agrees to adhere to the guidelines as required by the County contract.

2. Program Services:

Recommendation: Ensure participants attend job fairs when excused for that purpose. Subsequent to our review, the Agency developed attendance verification procedures.

LACOE agrees to adhere to the guidelines as required by the County contract.

Ms. Wendy L. Watanabe
Auditor-Controller
October 26, 2010
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3. Program Services:

Recommendation: Always maintain the master application form in participant case files. At the time of our follow-up review, we verified that LACOE developed procedures to maintain master application forms.

LACOE agrees to adhere to the guidelines as required by the County contract.

4. Cash/Revenue:

Recommendation: Perform bank reconciliations monthly. During our follow-up review, we verified that LACOE reconciled their bank accounts timely for June 2010.

LACOE agrees to adhere to the guidelines as required by the County contract.

5. Cash/Revenue:

Recommendation: Ensure bank reconciliations are signed and dated by the preparer. During our follow-up review we verified that reconciliations were signed by the preparer.

LACOE agrees to adhere to the guidelines as required by the County contract.

6. Administrative Control/Contract Compliance:

Recommendation: Ensure their crime insurance policy complies with the contract requirements. During our follow-up review, we verified that LACOE updated their crime insurance policy in compliance with the contract.

LACOE agrees to adhere to the guidelines as required by the County contract.

7. Fixed Asset and Equipment:

Recommendation: Monitor the location of equipment purchased with GROW funds totaling \$3,607. Subsequent to our review, LACOE indicated they located the missing items.

LACOE agrees to adhere to the guidelines as required by the County contract.

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8. Payroll and Personnel:

Recommendation: Maintain a record of background clearances for GROW Program employees. At the time of our follow-up review, LACOE still did not have a record of background clearances for the six employees.

LACOE does obtain background clearances for all employees. In addition, LACOE recently obtained background clearances on the six employees noted in the report. LACOE agrees to adhere to the guidelines as required by the County contract.

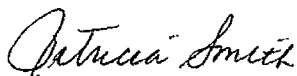
9. Payroll and Personnel:

Recommendation: Maintain copies of current drivers' licenses for GROW Program employees that drive while performing contract duties. During follow-up review, we verified that LACOE obtained copies of current drivers' licenses for their employees.

LACOE agrees to adhere to the guidelines as required by the County contract.

If you have any questions, please contact Mr. Charles Faulkner, Financial Operations Consultant, at (562) 922-8921.

Sincerely,



Patricia Smith, Controller
Controller's Office

PS:CF:vw
Attachment